EXHIBIT 7

Microsoft

Remarks by Bill Gates
CES 2001
Las Vegas, Jan. 6, 2001

BILL GATES: Good morning. Welcome to CES. It's amazing to see the progress that's taking place. Microsoft last year celebrated its 25th anniversary, and going back to the very beginning of Microsoft, the dream that Paul Allen and I had was that the microprocessor combined with software would lead to some great new experiences. Now, those experiences were most popular in the workplace in the last two decades, the cost of the device, the complexity of the device, the difficulty of dealing with consumer data types, video, photos, music, meant that the real explosion of the PC in the early days came in the workplace dealing with text.

Well, we've reached some new milestones recently, milestones of power, milestones of richness, milestones of simple user interface, and what these mean is that now we can go to the original dream of this being the device that you use for everything you want to do, a device that's fun and entertaining. This year, for the first time, I gave technology gifts not only to my friends who are very sophisticated, but to my friends who are not sophisticated, things like digital cameras, because I think they really are ready for prime time, music and photos, those experiences are changing permanently in a way that puts the user in control.

Let's take a quick look at this progression over the last 25 years and see how all the hardware and software has changed.

(Video shown.)

MR. GATES: So hardware progress is very key. We're going to see a lot of amazing hardware today, starting with the PC. The PC is going to be the place where you store the information, and really the center of control, the place where you can edit the information, where you can communicate it out to your friends. But it won't just be the PC, it will be all these things connected up to the PC, both in wired and wireless fashion. The PC itself, by having a microphone, by having a digital camera built in, will provide new forms of communication.

Throughout the house, whether it's a music speaker or picture frame, something on your refrigerator that lets you look at your family schedule, all of your information will be available. And the fact that it's coming from that PC and, therefore, coordinated and shared, isn't something that people will have to know about or administer.

The Pocket PC devices, those are very revolutionary -- in fact, we're finding the demand right now for the powerful devices we've built far exceeds what the manufacturing capacity is. Those devices, by putting a rich CPU in, and putting a rich software platform in, we're enabling lots and lots of new scenarios, it's not just personal information. In fact, the way we've opened it up to third parties with all that power has meant that they're surprising us, coming back with applications that we wouldn't have even expected.

Another key piece of hardware in the home, of course, is the set-top box. It really defines the TV viewing experience. Well, the set-top boxes that connect up to the satellite world, they're changing and changing very rapidly. That's where the cutting edge is right now. But it won't stay that way, it won't just be satellites. It will also be the entire cable infrastructure, and this year we'll see the first significant roll out of digital set-top boxes where the software in those devices allows people to work between their video, and between the Internet to have rich access to what they're interested in.

Finally, and I certainly can say last, but not least, there's a revolution about to take place in game consoles. People want something that's rich. They want something where game developers have had no limits on their creativity, and we're going to take a look today at an incredible breakthrough that's taking place there.

As it comes together, all these things happening at once really are about a digital lifestyle. The pieces that make this happen include the breakthrough wireless technology. Now, the world "wireless" often in people immediately calls up the idea of the wide area wireless, anywhere you go being able to make a phone call. And those wide area

infrastructures will switch over to have data and higher bandwidth. But far before those infrastructures can support video and music and audio, the wireless infrastructure in the home will have incredible bandwidth. And that means that distributing the information won't require going out, running new wires, or carrying media around from one place to another. The connection from the home back out to the Internet, the higher speed that is, the better, because it makes it easier to bring these media types down into the home.

We're doing the best we can with the dial-up connection. Certainly music and photos work very well across that kind of connection. But we also have to promote moving up to broadband, that's where video comes in, that's where the best experiences will take place. DSL and cable modem are the two ways that's being done today. Some breakthroughs in wireless should provide alternatives as well. So we need to drive the popularity of that up as we drive the price of it down. People are going to expect to deal with their information in a digital form. It totally changes their ability to share it out with other people, share the family photos, organize it in the ways that they care about. For example, the music tracks that they want at different times. And it really fits in with communication. When you're talking with somebody, you'd like to be able to share a photo, or take a piece of music and play it in the background, or show them what you've been enjoying. Well, with the normal voice connection, you can't do it. But with the kind of communication we're defining around the PC and around the Pocket PC using that screen as you're connected will allow you to take all these different types of media and collaborate and share with your friends.

So, one of the key elements -- and you won't be surprised hearing this from me -- is that software is the key to this. Software defines that communication experience. Right now, the cutting edge application is instant messaging, and it requires you to go to the keyboard and type. Well, with great software, we'll put video and audio into that. You can share applications. Say you want to work on a homework paper at the same time, say you want to look at a spreadsheet to make a decision about something numeric, say that you simply want to show different photos that you took in a recent trip. All of those things will be real-time communication.

In the world of entertainment we've got to have software that makes it easy to find the things you care about, easy to annotate those things, and notify people of something that you're particularly excited about. And, of course, we want to take the family schedule, we want to take planning a trip, we want to take all the buying activities that go on, or even auctions, selling activities, and make those very simple to do, simple to track what's gone on, and what's changed. And software is the key to making sure that you don't have islands of information, you don't have this address book on this device and this other address book on this other device.

Software also has to understand that you operate in different personas when you take a portable machine into work -- the kind of favorites list you want, the kind of interface you want is different than when you take that machine home. And likewise, if different members of the family use the machine you'd like it to automatically understand what programs they care about. In fact, you'd like it to be able to switch back and forth without people having to shut down their programs, simply share it and immediately when you come back to it your programs are there. So an immense amount that has to be done, including a lot of things that take the user out of manual work, manually moving the information around. And of course, software is what's going to define all that.

Where could we fall short, where could this great vision actually not come together. I think ease of use would be the thing that would hold it back the most. And certainly the computer industry, including Microsoft, has a lot more we can do about ease of use. Today, understanding which photos are which, where they were taken, who took them, what format they're in -- the user is having to get involved in that way too much. Setting up the PC is still too hard. If you want to transfer the data from an existing PC you have onto a new PC, or simply have them work together and coordinate the information between each one of those, that is a very complex process. In fact, you have to think it through for files, for email, for favorites list, every different thing you have on the machine there's a different set of commands to move it around, and that's simply overwhelming.

And so we have the ability by having these large screens to do a better job. It's not like VCR programmability, where you have to operate through a small little LCD and a few buttons. We have room to put up a very appealing interface with animation, with full explanations, helping the user out. We have the ability to keep the software up to date, going up to the Internet and getting the latest version. So if we notice that you have a new peripheral we can get the software that drives that without your having to think about that. If there's an improvement in the software,

we can simply go up to the Internet and bring that down, without your having to think about file names or URLs or different sites. All of those things can be done automatically by the software.

The information you have on different devices has got to be simpler in things like a password and names. Today I have five or six different passwords, I'm always being asked to change this one or that one, I can't remember which one goes with which user name, and my profiles on those different systems are all quite different. How many times has an Internet site asked you to enter your zip code? Well, that simply isn't necessary.

So all those different interfaces and those islands of information are something that's critical to improve. If you want to take your music and move it between these different devices, that again should be something that you can set it up once, and it just happens. Likewise, for your play list, that shouldn't be something separate that's complex or difficult. And so there is a need to have a lot of new industry standards. There is a need to have a lot of powerful software that works on these devices. There's a need to have the devices reach out through the networks to get services, which makes your information available wherever you go, even outside the home, and provides the latest and greatest software.

There's an interesting combination taking place here: the PC industry with the consumer electronics industry. You see that, last night we had a keynote by Craig Barrett of Intel, this morning myself, and so the PC world, this industry that's thought about digital devices since its inception is coming together with the consumer electronics manufacturers. And those are great partnerships. We see all the consumer electronics companies wanting to embrace this digital world, wanting to make their peripherals work well with the PC and adhere to these standards, so we can unlock these markets and make sure the complexity doesn't hold things back. And so I'd say we're really at a milestone here, a milestone of those two industries coming together, a milestone in terms of the power of what can be offered.

At home people have a choice, they can buy things or not buy things, and they're probably pretty satisfied with the way they're doing things right now. You need a breakthrough to make them want to come and do it a different way. I think that communications will be a very, very big part of that. Instant messaging is just the tip of the iceberg in terms of what people will expect and how communications will work.

Simplifying daily activities, coordinating your schedules, those are things that I think can be appealing to an incredibly broad set of people. Easing access to information, making it so that your email inbox is not overloaded with things that you're not interested in, making it so that if you really are interested in a new product or a stock price change, that you don't have to go out and always look to see if it changed, but that comes to you and you're completely in control. So it will be extreme in terms of its richness, and it will be personalized, and it will be simple, and very low cost. That's the beauty of all the things that are coming together to define this new digital lifestyle, and the new consumer electronics industry.

Now, I mentioned the PC playing a critical role here. When people work with consumer information, they don't just want to look at it, they also want to organize it, they want to edit it, they want to share it. And that's where having that full screen and the power of the PC, the incredible disk capacity that goes with it, that really comes in and gives the PC a very unique role. Now, one thing that is very important here is by moving the Windows software in the PC up to use our Windows 2000 technology, which we'll be doing in the next release of Windows, we create a machine that you'll be leaving on 24 hours a day, a machine that can continue to service the different peripherals, the picture frames, the music playing devices, the different control things you have around the house, it will continually service those devices.

And so instead of having to have a disk in each one of those devices, and manage getting the information back and forth from the PC to all those disks, it can simply exist on the PC. So you have one copy of your different music files, and unless you want to walk away and take the media with you, you don't have to think about moving that around. Likewise, for the photos, or the videos, or the games you want to play. So we're taking the PC and using the wireless infrastructure to make it available throughout the home.

Now, these will be PCs where you can take the screen, pick it up and walk around, taking it with you. Some of those screens will be very rich in terms of the kind of interaction you have, some will just be simple, passive display devices. And so on the refrigerator you might have one that has a little bit of touch screen capability, but that's all.

In your den you might carry one around that's far more capable, it's got the resolution for reading and it has a touch sensitive screen that's capable of allowing you to take notes, and annotate things that you're looking at. But, connecting back to the PC and so you have all the tools that you've come to be used to there.

The new tools that will emerge from the software industry will be quiet amazing. Video editing will become a mainstream scenario. And all these communication things I'm talking about really create the idea of not only doing things locally, but doing them with other people at the same time. And so every piece of software on the PC will change to have that collaboration as one of the features that it supports.

So I'm talking about an extended PC, a PC that reaches out, talks to the set top box, for example, talks to the pocket PCs, talks to those different screens that are out there, the picture frames, that are out there, talks to your music type player devices, coordinates with other PCs that are in the home, so that you don't have to explicitly move that information around. So it's only 24 hours a day, it's the gateway, and it's the main store of information. Of course, the disk capacity we have there is a big part of this. Now, it's really tough unless you get into videos to overflow the capacity that we've got on that disk. And so it's really a center for all the information, and we'll make it a lot easier to organize that.

Well, let's take a look at what this means in practice. So let me ask Steve Guggenheimer to come on out and show us what does it mean to use a state of the art PC as it's connected to all these devices.

MR. GUGGENHEIMER: Good morning, Bill. How are you?

Before we start, we've got several demos we're going to go through over the course of the day, and I think your theme on the rapid pace of innovation really is appropriate for the show today. One of the things that we're seeing is, as the computer industry has enjoyed tremendous innovation over the years based on the growth and advancements in storage in computing, in the software itself, and in graphics capability, as that technology is adopted by the Consumer Electronics Association, we're starting to see that same level of rapid innovation occurring here. And so a lot of the things I'm going to show you today are advancements over some of the things we've shown over the years. It's amazing to see the progress year over year. So that is kind of the kickoff for some of these.

The first thing I want to do is do a little sneak preview of the next generation of Windows, code named Whistler. You referenced it, and so we'll show a little bit of it right now. Now, the key thing to remember with the next generation of Windows is, we are basing it on the Windows 2000 platform. So we'll bring you the dependability of our highest end corporate desktop, and total dependability, to the home. But, at the same time, we're starting to move it in the direction of making it very consumer-oriented. Making it very friendly for the home user to use. So it can be on 24 hours a day, and it can have the same reliability and durability as a traditional consumer electronics device.

What you'll notice here is a login screen. And the way this is set up is, it's set up for multiple users. So, we found in our research at home that many people use the PC for multiple people. If you want to change users in today's world, you have to close off your applications, log off, and let the other person log on. It's not a very friendly way to go.

Now, what we've done here is we've set it up so that I can log on, and you'll notice that there are programs running under each of the different users. The way this works is, when I'm working on the machine, when I want to stop using it, I can simply walk away, and within a minute or two it will come back to this screen and it will save my state. So, when my daughter Hannah walks up, she can come on, it will remember her state and go there, or when I want to log back in, I can simply click on Steve, and it will bring me back into the desktop and back into working, if I use the right mouse button there.

Now, the next thing you'll notice in terms of the user interface is that it's very clean. We found over the years that there's been some clutter as more and more icons have appeared on the desktop, and what users have told us is, they want to be able to use this as their space, to be able to add things here that they want. Now, of course, when people upgrade we'll keep what they've done already. But for New Year's what we've tried to do is take -- let me step in front here so I can drive -- is take all the information and put it in the start page. We've made it much easier in terms of the most recent applications you've been using, my pictures, my photos, the things that consumers care

about. So, in a lot of ways, we're working very hard to make this a much easier to use device.

Now, in terms of Whistler, this is the sneak preview, I will show more as the months go on. The other thing I really want to highlight is the PC itself. We believe that in the next generation of PCs, as it becomes more like a consumer electronics device, that we really want to move in terms of both functionality and form, to a new generation, a new style of Whistler style PCs that are moving from below the desk to on top of the desk. And this is something we've built just to demonstrate the type of hardware you'd see with the next generation of Whistler.

And so, we're out talking with all of our partners about the types of styles we should see as we move to true activity centers within the home, and the functionality moves up. This particular monitor is set with a camera up here, and a microphone down there, and speakers. So, again, it's moving this into much more of an activity center for the home, multiple user oriented, durable, always on, always available, cool-looking.

So, with that, let's move into the notion of what are we doing with the innovation? The first thing is personal digital media. You talked a little bit about photos. What I want to do is show how easy it is to get the photos from this camera onto the machine, and then use that starting from this machine to share it with other devices.

I'm going to go ahead and plug this in, it has a USB connector on it, plug it in the back here, go ahead and turn it on. You'll notice I've never used this camera with this machine, and there's no photos on here, and it's immediately recognized. We'll go ahead and walk through this wizard real quickly, and what it does is, it immediately detects the pictures that are on the camera. So I took a couple of shots of the kids before we came here, and let me click on a few, and what I want to do is just select a few of these real quick. What I'm going to do is go to next, and what it's going to allow me to do is, it's going to save those pictures in my local storage here, but it also gives me an option to save these up to the Internet simultaneously.

So, I can take this and make it available both locally within the home, as well as put it up on the Web so my parents can get access to it, and other people that I want to share it with can on my secure MSN community. So, I'll go ahead and start these things saving. And what you'll notice, is I've set this up so that the picture frame over there is polling on a regular basis looking for those photos. And so in a few minutes, the photos that I uploaded into the local machine here will start appearing on that picture frame. So, once we've saved them within the home, we're working with digital picture frame partners, using UPnP technology, so they can talk to each other very seamlessly, you can just plug the picture frame in over whatever network you're using, wireless, or other ways, and the pictures are immediately available.

So that's a nice step. I want to go one more step. Since we saved them up to our community in MSN, I'm going to go up to my photos. We can see that I've loaded them into my recent pictures. They were uploaded at the same time. And once those come in, I can do several things. I can share these so my folks can get access to them like they can today on their PC. What I did was, I bought them a digital picture frame for Christmas this year. And what I can do now is, I can go ahead and share these photos out with their frame. So we've got it set up for Grandma Gugs, and I'm going to click done. And then on the photo frame over there, we'll get the same pictures. Now, it's a different message this time, in this case I've stored them up on the Internet, and I've given them rights to use it on that picture frame. And, again, we've set the software to pick it up once I've clicked "done" and given them permission.

So, what we've done is we've enabled a solution starting from the camera through the machine very quickly, and then sharing it out with some digital picture frames.

Let's go on real quick, and let's take this one more step. Let's go into the radio. Let's look a little bit at the future with music. Now, today Internet radio is very cool. I can get about 50 different stations of the genre I like just within Seattle, and there are literally hundreds of Internet radio stations out there.

MR. GATES: It's amazing.

MR. GUGGENHEIMER: The thing that we'll look towards in the future is more personalized radio, where as I'm listening to music and say, hey, I like this music, or I don't like this music, and over time, if I'm interested, they can build a service that recommends music for me. It has specific lists already set up. So, for example, there's a bunch of recommendations here for things I might like to listen to. I'm going to go ahead and click on Northwinds Traders,

and what I can do then is listen to this station, it's been kind of preprogrammed for me, or I can potentially buy some songs from this and download them into the local network so I can listen to them, or a third option it gives me to do is to create a custom station where I can take the music that I've got here, plus add some other things, and I'm going to add headlines, weather, and traffic. And I'm going to give this little station a name, so excuse me a second while I just type my wake up, and I'm going to share this new station around the house, click return to music.

Now, what I've done is, I've basically created a custom station, my music, and weather, and stuff, and I've done it for a specific reason. Why don't se step over here real quickly, and let me get out of their way. What we've got here is a peripheral for the PC that we've built. This is, again, a prototype showing the types of things you can do. It's really speaker, a microphone, and a little display screen, and it's using all the processing power of the PC, so I can do different things. I can take advantage of what the PC can do. So, for example, I can listen to music. Or if I wanted to set it up as a little intercom system, I could use the mike and speaker to do that.

MR. GATES: Or I can set my daily alarm.

MR. GUGGENHEIMER: You could. In fact, since we created my wake up, what I've got this set for is, my alarm is going to go off. Take the rooster in there, a very colorful alarm clock, and then what we hear come up is the headlines, okay, and if we want to switch we can go to news, to weather, to traffic, to music, or stop it. Now the cool thing is, it's all coming from the PC itself. We're just using this as an accessory. So these would be the type of devices that can be built for a low cost, but available as peripherals around the house and, again, with the different type of networking, very easy to work in conjunction with the PC.

Let's go one more step over, let's head over to the wall here. Now, the nice thing is, since we've got the information on the PC we really haven't done anything with it. The fact that I paused it means I paused it on the PC. Now, again, as Universal Plug and Play devices grow and they can connect and work with the PC, I have the opportunity then here in another room to go a touch pad, and assume there are speakers in the wall in the room, and I'll go to media, and they can look for the different streams that are in the house. And, again, working back to the PC, it can pick up where I left off so to speak. It can go to that same music station I was listening to, know it's paused, and I can simply go to my wake up, and it picks up right on that music again. And I can pause it here.

So, in essence, what we've done is, we've talked about the movement towards next generation of PCs that are truly durable, lots of cool hardware that's going to come out with them, the ability to really make my personal digital media, the photo stuff from end to end, from the photo all the way out to the frame. We're working with the frame manufacturers for the next generation to make it really seamless in your home and easy, and then beyond that very personalized services, and then another set of hardware in the future as peripherals that can leverage those personalized services, whether they be music or communications or any of the things you noted.

MR. GATES: Super.

MR. GUGGENHEIMER: Okay. Thanks, Bill.

MR. GATES: Thanks.

(Applause.)

MR. GATES: So that's what we mean by the extended PC. That alarm clock had the full power of your preferences, your schedule, the custom audio queues that you like to have, all of those were available in a device that's super inexpensive because it's simply connected back to the richness and the storage of the PC. Those picture frames can be very simple, and also inexpensive, because they connect back to the PC. And so the idea of having the playlists, being able to move from room to room and still get your information, all of that can be enabled by having the right infrastructure, and the right software.

So, we're talking about being a digital media center. Now, moving up to this role is going to demand that we take the user interface and make it even more powerful and better than it is today. We're going to have to make it so that there's just a few simple techniques you use to organize information. When you want to select from a set of things, when you want to organize things in a particular order. Once you learn how to do that with your music, it

will also work for radio stations, it will work for your photos, it will work for your calendar. A few powerful techniques that are pervasive throughout the interface.

We're also taking the interface and saying that we want to make this a device that you can actually read for long periods of time by having screens that are detachable, you can put in your lap, by having the right resolution, by having new font technology we call ClearType, those things will allow this device to be where you would look at a magazine, or where you would look at a long report. And the advantage is, not just that you get it delivered through the Internet, but also that you can take notes, and send it along and share it with other people. So, we need an Internet that supports reading.

We need an interface that supports handwriting. I've talked about some of those tablets having enough capability that you would take notes on them. We can simply record that as ink, or we can recognize it and send it back to your productivity applications, and then you can communicate that with others. Finally, there's speech. Speech has been a big challenge because the processing power required is quite incredible. The quality of microphones required is quite incredible as well. The concept PC we showed actually uses what's called an array microphone, where you have multiple microphones, and it's using the distance between them to be able to eliminate the noise. It turns out, that makes a huge difference in terms of the quality of dictation results we're able to get there.

And so, having these natural input techniques, having natural reading capability, those will be critical for the PC for it to step up to this expanded role. Another very important thing, we think, is the idea of a personal assistant. Today, the PC can notify you of so many things, buddies coming online, junk mail in your inbox, your virus program is run. And it's your time that's being used up. Everything in there is trying to get your attention, trying to take your time, which is really the valuable resource. And so the concept has got to be that you get back in control. Depending on what you're doing, there are certain of those mail messages, or buddy list things, or notifications from different Web sites that you don't want to see. Some things you never want to see, but others you'd like to not be interrupted when you're creating a document unless something is very important.

And so the system based on your input will look at the sender, look at the content, look at your schedule, look at what you're doing, and decide how to prioritize those things. And this is not just when you're on the PC itself. Let's say you're off in a meeting and you've got your pager, or your Pocket PC, which messages should buzz or vibrate that device, and come down and alert you even though you're doing another activity. Well, this personal assistant will help mediate that, and filter out so it's not just all your email, or none of your email that's actually passing through there.

And we're expanding the concept of email to include things like an auction price, a new auction item has become available, or a new schedule has been set up for a trip that you were going to go on. All of those things get unified with email, and then controlled through the personal assistant. We're going to see PCs in many different form factors, because they're really going to have to fit into the environment. Those different screens I talked about, the ones that you want in the living room to show pictures, versus the one on the refrigerator, versus the one up in the kid's rooms, those will be quite different. And so we rely on the same infrastructure that's been so key to the success of the PC industry. A huge number of manufacturers, now including all of the consumer electronics companies coming into this space as well, and providing the kind of innovation and variety that's very important in the consumer space.

Many of the scenarios we've talked about here assume a fair bit of connectivity. And of course, one way you can get that is by taking something like USB wire, and running it to different locations in the home. That works fine. USB has been a huge advance for the PC. The fact that you can plug that camera in, the fact that the scanner can be plugged in. That really was an important step that's now standard on every PC, and some amazing peripherals that connect up that way. But, we need to have the equivalent of USB across these wireless networks, across things that don't require you to put in new wires.

So we can actually use the phone network, that's called Home PNA, we can actually use your AC power network, so called power line modulation. This has been something that's been talked about in the consumer electronics world literally for decades. BSRX10 as something that could turn your lights on and off was a scenario that was pursued, and was used, but not in super high volume. Today the components that do that kind of power line signaling have

come down in cost, and by having the PC automatically discover what's out there, what's connected through that power line, we think that scenario of home control is one of many that will be easily available. And so there's an industry consortium around the idea of low cost components, and how those things automatically show up in a rich PC interface.

The two networks you'll probably hear the most about in the next few years are 802.11, which is really exploding in usage, both at work and in home. The cost of the base stations have come down to around $300, the cost of the receivers are on the order of $99 at this point. So a lot of progress there, and easier and easier to set up. That has a bandwidth that lets us do video, let's us do audio, so very important. Complementary to that is what's called Bluetooth. Bluetooth is a little bit lower data rate, a little bit less distance, but lower power drain in the actual device. So that's more of a personal area network, where your devices need to be nearby. Whereas, 802.11 is the entire home.

Now, there are still things to be done to get the price down, get the setup to be easy, and making it clear for the different scenarios what has to go on. One role that Microsoft sees itself in is going out to the high-end consumer electronics retailers, and really talking through the scenarios. So that if they have customers coming in who want to do music throughout the house, or picture frames, or home control through the power line, we've got essentially a recipe of what software they have to have on the PC, and what those peripherals have to look like. This will be done as a very significant extension of the efforts we've called Universal Plug and Play, very scenario-driven, very cookbook-oriented. Okay, you want to monitor the kid's rooms, here's what you do, and here's how the PC connected up with these new networks makes that all possible.

Well, let's take a look at what we can do with a Pocket PC. As I mentioned this is a device we've put a very powerful CPU in, and software developers everywhere have been seeing that and coming up with some very interesting new concepts. So I'd like to ask Steve to come back out, and show us what kind of things can we expect in the future of the pocket PC.

MR. GUGGENHEIMER: Hi, Bill.

So one of the things we want to do is do a little bit of untethered work here, which is walk around with our wireless Pocket PC. Before I do anything, we're talking about the rapid pace of innovation, and this is going to focus on a lot of the innovation that's happened over the last year, when our research group, and other groups had the opportunity to work with a new device like the Pocket PC. First, thing I want to do just real quick is note the screen in the center, when I launch mail here, you see it on the other screen. We actually have the ability to project this up, which means I no longer have to stand behind a demo, I can walk around with this on stage, and you can see exactly what I'm doing. That in itself is quite nice.

Now, one of the things that's great about these devices is they're wonderful for taking notes. You can scribble your handwriting in there, or there's a little voice record button on the side, and that allows you to do voice input and you record it, and then you still have to go back in and type it. What the research guys have been working on is, how do you do real speech-to-text, how do you do dictation into this thing and have it typed in automatically. So I'm going to give it an attempt in here, and we'll go ahead and try this out. Send mail to Nicky. Would you like to go to dinner on Sunday night? So that's kind of slick. The ability to do real voice recognition at this level, not only was I able to talk and have the speech done, but it recognized certain breakers, like sending a mail, it knew to launch mail.

So let's try this again, let's try something different, let's try calendaring. Schedule a meeting with Bill Gates, for Monday night at 7:00 p.m. Bill Gates, one house, Monday night, 7:00 p.m. So that's kind of slick, it parsed all of that out. Let's give it one more try, let's go to dinner to celebrate the successful start of the Consumer Electronics Show in Las Vegas. Very good. I have to say I was a little nervous before doing this thing. I've done lots of speech demos, and usually I wear a headset microphone, because we're in a big audience, and it's hard to get the sound right, or you do it in a closed car, and even then I can barely get it to say start and go to one folder. In this case we've done full recognition, you know, being able to take the sentence apart and do the right thing, it's phenomenal.

So let's take this bit of research now and combine it with some other pieces. At the same time we've been doing

this, our music guys, the guys that run our digital media division, they've been working on the Universal Plug and Play technology, making it so that when I bring this device into the house it can talk to other devices, and it recognizes the other devices like the computer, and they can share certain applications and talk to each other. So in this case what they've done is they've made it so they know when the Whistler machine is -- I've got one back stage, another one, they know when it's on and they can actually control the music player back there. And so from this device I can launch the music player and get my play list started.

At the same time, in terms of hardware innovation, I've connected that Whistler PC in the back up to a stereo system in the front using 1394 over category 5 wire. What this does is I've got some really cool connectors on each end, and I'm using the newest home networking standards with category 5 wire. So I want to use that voice recognition to see if I can kick some music off. I'd like to listen to some music. So it brings it up, I don't like that song, let's skip ahead, and I have control, I can increase my volume here, or decrease the volume, go ahead and stop it. So that's pretty slick. We took a bunch of different research and technologies, but went to a very usable consumer idea, which is I'd like to walk in the house and say play my music. And because it's coming from the play list on my computer I might say play some jazz, or play some rap, or play whatever music I'd like. And it can parse that text to speech. We have control with basically a universal remote control here, and it kicks it off.

So again, when you take the software innovation and mix it with a device that's very popular and been out there for a year, we start to see that rapid pace of innovation and the types of directions we're headed in. Let me go ahead and exit this. Now, since we're in the home, and we're on our wireless network, and we're connected with the machine back stage, since I have capabilities for music, why not video? And in fact, I stored a clip from the Internet on the server back there, and I'm going to stream it over the wireless network here. So we're actually going to pull up a URL that would cache locally, and it's just the latest little clip off of Atom Films, we're thankful to them for lending us this. And it's fun to see what's going on. Again, just being able to sit up in the bedroom or somewhere else, and watch the latest Atom Films clip.

(Video shown.)

MR. GUGGENHEIMER: Okay. Lots of fun stuff out there. The nice thing is, while you guys were watching it up on the big screen, I was wandering around. So whether I'm sitting in the backyard with a device like this, or a computer, or any type of device, it's nice to be able to roam around and get access to the information I want. So, again, the innovations in software makes tremendous strides year over year, and when you have a device, a powerful device, there's lots of things you can do.

Now, I'm going to put this down for a second, and as we're dealing with innovations, the one nice thing is, as Windows CE becomes a much more mature platform and the tools become much more mature, it's easy for our hardware partners to develop new devices that can support similar functionality. So, what I have here is a little Hitachi wearable Internet appliance. I'm going to put this on. And what this is doing is, it's projecting the equivalent of a 13-inch monitor on my right eye. So, it's a little heads-up display, and you can see it up there. This little device is my mouse. When I move my thumb around, you can see the mouse move up there, and if I click on something, away I go, double click.

Now, this whole thing is for Hitachi, they took their SH-4 processor chip, plus the CE development kit, and were able to create a prototype of this device in about three months. Typically, it used to take up to 18 months to create new systems like this before the tools, and again the platforms become reliable and known.

Now, the nice thing here is, again, because it's a known platform, I can run a lot of the same software you just saw on the pocket PC. So, for example, if I want to go over to a web site, I'll mouse over there and go ahead and pick it up.

Now, it's a pretty slick device. I don't know how many of you have been to Japan before, but if you've ever ridden a train in Japan, you know there are two things you can count on. One, it's probably going to be a long ride. Two, there's not enough room to spread out your computer and get any work done. So a device like this is very good for a targeted market like Japan where there's not a lot of space on the trains, and you're commuting a lot, or I can go and browse the Internet, catch up on work, or if I wanted to, for example, look at the movie clips, let me go ahead and go back here. And, again, it's got the same power, so if I want to go up to that video we just saw, I can do that,

and I can watch it here while you're watching the screen. Now, we won't watch the whole thing. But, again, it's the rapid pace of innovation.

In this case, we've used both the software, in terms of the Windows CE platform in our research division, and now the hardware guys of the same team, to build exciting new devices. So, I'll go ahead and pause at this time, we've seen it, and I didn't put the sound out, and I'll go ahead and shut this down for now, but I think you start to get an idea of the types of things you can do in terms of software, the wireless world, new devices, very cool stuff, and it continues to advance at just a phenomenal pace. And if you think about the stuff consumers want, these are the types of devices, whether it's starting music, being able to go on the go, this is the stuff that makes it all real. So, with that, I'm going to ask Bill to come back out.

MR. GATES: Thanks, Steve.

MR. GUGGENHEIMER: Thanks, Bill.

(Applause.)

MR. GATES: So even that Pocket PC form factor is starting to do some amazing things.

One key point we want to make is that these consumer experiences, when they're put into digital form, they're not just more convenient, they really start to change in ways that we can expect, and I think for each one of these experiences, there will be things that happen -- now that the user is in control, now that it's digital -- that we don't expect. In the world of music, we talk about people setting up playlists, and sharing those with each other, we talk about having demo versions of the song at low resolution that are available for people to try out, or being able to listen to the radio and just click and say, yes, I would like to buy that music. So, music will not be the same now that it's digital.

Likewise for television, the whole idea of the TV guide, and how you find a program. The whole idea of: what is advertising? If I'm interested in a product, what kind of information can I get? And even the shows themselves, the idea of background information, participating in a community, television will not be the same once it's fully in digital form.

Likewise, reading, this one is one that we've been a real pioneer in, and I think of all the ones here, it's the one that's been really talked about the least. When you can take notes and share them with people, when the magazine ads can link back to the company that's placing that ad, when you can sort through the material and see things that you might be interested in, or recommend things to other people. The whole idea of reading, staying in touch with things, won't be the same.

And finally gaming, as we bring this new level of realism to gaming, as we allow multiple people to connect up through the broadband and game together, these games won't be anything like those that kicked off the original gaming industry. So we call it "extreme entertainment," a digital lifestyle that really changes the media itself.

One element of this that I've talked about in speeches here at CES before is the digital set-top box. In fact, I was here at CES several years ago that I announced our agreement with the largest cable company, at that time known as TCI, now part of AT&T, to actually take our software and put it into this new generation set-top box. You saw quickly three different user interfaces that we built on top of that software for different cable operators. So we're going around the world to the leading cable operators, and integrating into their system the way that they want.

What this means is that communications are right there on the set-top box. An incredible guide is there on the set-top box, and a whole new way of being able to get images on demand, and interact with the advertising as defined through what we call the Microsoft TV platform. All the richness of notification, and the connection with the PC are going to be present in that set-top box.

So, let's take a look now at some of these forms of extreme entertainment. One more time, I'd like to ask Steve to come on out and show us, what do we mean when we say extreme, how is it different?

MR. GUGGENHEIMER: Thanks, Bill.

Let's head on over to this table, and we'll go ahead and start off with music. Music is one of my favorite things in terms of advancement in technology, and we talk about innovation from one year to the next, this is the place that's taking off. And things that people care about, it's their music, and the ability to take it with them.

So, let's quickly go. This is another PC here that I've got my playlist on, and it's something that I've customized since last year when we started off with this. I'm just going to go ahead and play a track real quick, kick off that same track again, that's the same one we heard. I kind of like this song. If I want to, I can skip ahead, set that up, play the next song.

Now, the trick is, once I've created my playlist, I want to take it with me, I don't want to recreate it and do anything else, I want the ability to take it with me wherever I go.

And so one of the nice things that's happening in the last year, there's been a tremendous proliferation of portable music players, and also storage media that will let you take it to multiple devices.

So, in this case, I have a Compact Flash, it's about 128 megabits, it means it's about two-and-a-half hours of really high quality music. And the first thing I'm going to do is, I'm going to take it over to the Lyra, and I'm going to just go ahead and stick the card in there and hit play, and it takes a second to go ahead and get started. Again, in terms of advancements, this is already the second generation music player. I have the older one, it's a little larger, it didn't have both radio -- this one has FM radio and it has the digital music. And I'm going to go hit play, and it will go ahead and kick off. So, again, I can very easily now take the music, when I want to copy it over, copy it, take it with me. Very easy to move around. Hit play. Music comes up, listen to the song, again, I can skip ahead a track if I want to, I have complete control. It's personal, it's portable, it's mine, I like that. Go ahead and stop.

Now, eject it, take the same Compact Flash, continuing on our tour, so to speak, take this pocket PC, stick the compact flash in there, go ahead and go into Media Player, and I'm trying to make it so you guys can see it out there, hit play. Same song again, it's got a nice little beat to it. If I want to go and look at my playlist, I can pick any song out of here I want, pick a different song. So, again, complete control, take it with me, go where I want to go.

MR. GATES: So, if you edit that playlist, it will show up as you take it with you?

MR. GUGGENHEIMER: That's right. Any changes are always with me. The other nice thing, and I haven't hit upon this yet, is, the Windows Media guys, now this is using the current player, they recently announced that they've got for the next generation they're going to be able to compress the music down three times as tightly. Which means if I'm getting two-and-a-half hours now, I'm looking at about 7 hours a year from now, probably, or less.

Now the other thing is, as rapidly as they're doing compression, storage is moving forward, so this thing probably doubles in the next year. So now maybe I'm at 14 hours of music. So not only did I take maybe 10 hours of music, but I'll probably take one of my home movies, you know, anything I want. So, again, it's just that tremendous pace of innovation.

One last piece, I've got the next generation Auto PC here. They didn't have a chance to cut up their base plate that they had made that was nice, but they have made the adapter for the same Compact Flash, so I can stick it into the PCMCIA card here that I can stick in the back, go ahead and do that. And once I do that, it's that same compact flash, again, it's the same playlist. So, again, now I've got it in the car.

Now, that wireless demo you just saw, I think out a few years where I might not even need the portable media, I might be able to drive the car and have it loaded. But in the short-term, again, take it with me wherever I want.

Now, there's one more place I want the music. I've got it on my computer, and that's in my office, and I've got the stereo in the living room. I'd really like to be able to play it here. And so one of the things that the manufacturers are doing, in this case Rio, they're building what I think of as adapters. Earlier I showed you connecting my PC and my playlist through 1394 and category 5 wire. In this case, I might have an older stereo, it might not support 1394, or I might have an existing home with phone lines and other things where I don't have the type of networking cables I need.

So what this device does is -- it's basically a great adapter. It allows me to go from one room to the other over existing phone lines, and it allows me to take the music from the PC and have it work on the stereo. So I'm simply going to hit play here. I know I need to change the source, because we were on the other source before. And I have complete control over my stereo. Skip ahead. So again, in terms of personal and portable, my music, anywhere I want to go, ready to go, and continually just rapidly move forward.

MR. GATES: All right. That's extreme.

MR. GUGGENHEIMER: Now, the last thing I want to do is show you the ultimate in television, with Ultimate TV of course. This is something that has now released from manufacturing, these are now available, and it's a tremendous device. It takes the best of DVR technology, and some new things there that are quite cool, along with the traditional availability of the Internet on television, interactive programming. But, let's just start with the DVR capabilities. A lot of you I think are familiar with now the ability to pause live television, it's recording in the background all the time, so if I want to hit play again and catch up, I can catch up with the fast forward to live time. I have complete control. I can rewind as far as I want to, 15 times. It basically takes TV, and as I'm recording it in the background, turns it into the equivalent of my personal television with DVD quality.

Now, what's really slick about this device is we've added a second tuner. So I have a device like this at home with a single tuner. It's tremendous, because what it allows me to do is it allows me to record Dragontales two or three times a day so when my kids wake up Dragontales is always on. So it doesn't matter whether they wake up at 8:15 or 8:45, they get to see the program they want first thing in the morning. As a parent, that one is a home run. Now, the downside of that, if I happen to wake up before the kids and it's recording Dragontales, I'm watching Dragontales, because there's only one tuner. With dual tuners now I have the ability to watch one program while I'm recording another one. So that is a tremendous step forward.

And so here you can see, for example, I'm watching the live program, I can pause that one, so in essence it's recording right now, and if I go to the other, the picture in picture frame and go to that one, I can pause that one as well. So I'm now recording two streams at the same time, and there's lots of slick control things we can do. For example, if I decide the picture in picture was more important I can flip them around really quickly. So again, complete control over the television experience. I'm going to go ahead and let this one play again. I can fast forward this one while the other one is still recording. So I really like the dual tuner capability. That's a positive home run for me, though I'm not sure fast forwarding horse -- whatever this is, it's not even racing. Great. So that's one thing I want to show.

Now, to give one more example of this I'm going to go to the guide, real quick. Now, suppose that I'm flying to Vegas for the weekend and the playoffs are on, and they happen to have two playoff games at the same time. It would be nice to be able to record them both, because I don't know which game I'm going to want to watch better, or maybe I'd like to see them both. So if I hit the record button here, you'll notice I can set up one program to record at this time, and then if I scroll down, I can set up another program to record at the same time. So again, the ability to simultaneously record two programs, in this case maybe the kid's Dragontales and something for me, or whatever the wife wants, very, very powerful stuff.

Now, one last thing, I don't know how many people have played with the DVR technology, but it's a lot of fun. I'm going to go to my shows. It turns out the Today Show is doing a little preview of CES this morning. So let me go down here, and I didn't really want to get up at the crack of dawn, I was here pretty early, but not that early. So I set this up to record it. And it turns out we can catch it, let me go ahead and hit play. So what we can see here, and I'll go ahead and pause, is a little preview of what we're going to see today. In fact, I've got an idea already of what we were going to show in the keynote, because they've got the little Whistler style screen there, and the little peripheral that goes with it. You can see all the other cool technologies and the booths. So I didn't want to get up early, but I wanted to preview the show, and this type of technology enables me to do that.

One last thing, I'll flip over really quickly. Just as a reminder, again, we have the ability for interactive television, we have the ability for the Internet on TV, so if I want to play along with Jeopardy I can do that. The other nice thing with this version is that we've gone ahead and plumbed it for broadband. So as broadband becomes more available we can turn that capability on, and not only do we have Internet access, but fast Internet access. And so in terms of

interactive television, that makes it a much richer experience, in terms of the Internet as a node for the TV, that's much richer. In working with Direct TV, we get the best in compression, because we're using their compression with the box, so we get up to 35 hours of programming. Again, rapid, rapid innovation in television. It is the ultimate in TV.

You've got to have one if you don't' have one yet, Bill.

MR. GATES: Looks great, that's extreme.

(Applause.)

MR. GUGGENHEIMER: Okay, Bill. I'm going to take off and leave you.

MR. GATES: Well, digital electronics in the home isn't complete without talking about video games. Today in homes where there's a teenager, eight out of ten of those homes have a video game. There's actually 40 million homes in the United States that have more than one video game. And so this is a mainstream activity. The video game business is about the same size as the motion picture industry. But, if there is an area where breakthroughs in hardware and software can really change the experience, it's got to be in video games.

So a few years ago we were sitting around talking about, how could we help make this happen? And some of the really hardcore gamers at Microsoft said, well, we could just do it. And the first time they said that it sounded pretty crazy, but they kept coming back, they kept refining the ideas, talking about the dream that they had there, and finally we said, okay, go for it, build the team, really build something that is a breakthrough for video gaming. And so they went out and spent a lot of time with gamers, they spent a lot of time with the software developers, and the result of that is the Xbox product.

Today for the first time we're unveiling the Xbox. This is a product that will be out later this year, and there's an amazing amount going on, working with partners who help build the hardware, working with the software developers, working with the retailers. The program around this thing is really quite phenomenal. But, the box itself is another thing that we've put a lot of energy into. So you may have been wondering what this draped device was here. This is the Xbox. And so for the first time let me now unveil Xbox.

(Applause.)

MR. GATES: As I said, the design here was driven by spending time with gamers, and actually putting the control in their hands. We tried out over 100 different form factors, to find what was the most comfortable and would give them the best game play. So here's the controller here, here is the video game console itself. It's very sleek, and very straightforward. If you want to play a game with this thing, you simply push the eject button here, stick the disk in, slide it in, and boom, within eight seconds you're up and running in that game. If it's a game that you've played before, one of the unbelievable things here is that we have a hard disk. And so the information about the game will already be stored, you don't have to load it off the disk, or load it as you move from level to level.

What you're seeing on the front, the eject, the on-off button, and four game ports. That was one of the big pieces of feedback was, people didn't want to be limited to two. These games where lots of people can participate, we wanted to make it easy to have four people. This uses USB technology. It's a different connector, but there are some amazing things that will connect up. Of course, the game controller itself, that has expandability with two of these swaps, up in the front. There's a lot of different buttons here, the things that all the different game genres need, and this box includes a rumble capability. So as you're sitting there holding it, you're feeling what's going on, you're feeling that explosion or that crash, or that intensity actually comes through the controller itself.

This is a totally digital device. And so off the back you've got the digital connector that goes out to the TV. We support HDTV, or all the other connections you've got. The resolution here is really unbelievable. Now, not everybody will have an HDTV, but this thing is ready for them when they get it.

MR. GATES: We've also got an Ethernet connector at the back, that's of course a 100 megabit connection that allows video or any other type of information to come into the Xbox or come out of the Xbox. And so this thing is a broadband gaming device. The disk plays a very key role there. Those broadband scenarios don't work unless you have a disk. The graphics power is over three times what's been available before. And we've done it in a way that

the model for software developers is very rich. The ability to actually achieve the theoretical performance and use tools that they're used to is very straightforward. We've done that by, in some cases, leveraging PC technology. Intel is a partner here with the CPU, nVidia is providing a very key chip, their nVidia chip. In fact, what you're seeing here is the final Xbox except for a couple of those chips, that are so state of the art that they'll only be done right as we finish the manufacturing. So, we'll plug those chips in. Except for that, every thing in this box is the final design. So the sleek looking black, that nice screen color and that Xbox logo. So this is a breakthrough device. It's a new thing for Microsoft. We're getting to know the gaming community, and we're really pleased at the support they're offering us.

I would like to ask one of the people who has been working with the gaming community, Seamus Blackley, to come on out and give us a glimpse, show us a couple of the kinds of games that we're going to have available on Xbox.

MR. BLACKLEY: Hi, Bill. So, it's good to see you, Bill.

And I think that everybody knows that Xbox has the hottest technology that exists in gaming today, but you don't need to listen to us. And, in fact, it's important to realize that the most important guys you can get excited about this technology are the guys who make the games, and they're some of the most enthusiastic people I've ever spoken to about Xbox technology.

So, today I brought with me a reel that shows just exactly how excited these guys are to work on the Xbox, and I'll run that now.

(Video shown.)

MR. BLACKLEY: So, that's really the most exciting thing that we could show today, because those guys are going to take this technology, this awesome technology that we have, and translate that into totally unforeseen gaming experiences. You heard about veins there and sweat. They're going to blow your mind. They're going to take that enthusiasm and use it to blow the gamer's mind. And that's what Xbox is all about.

I have a few demos that I brought along today to kind of illustrate that, and one of the things I want to do before I really get into our demos is, I want to show one of the games produced by that guy, Lauren, who you just saw on that tape from Oddworld. I want to show a game clip from today's consoles, I want to show his game on today's console. It's called Oddworld.

(Video shown.)

MR. BLACKLEY: You can see, it's a beautiful game, but it's 2D. Now, Oddworld Inhabitants, which is the name of the company that made that game, is a group of artists and game designers who have an incredibly detailed vision for this world that, Abe, the character you saw unfortunately get shot in the back, lives in. And that vision is so big that they really felt that they could only bring it to life on the Xbox. And so what I'm going to show you now, running on Xbox Development Kit, which you should keep in mind only has about a fifth of the power of the final system, is a game called Munch's Odyssey, which is going to ship exclusively on Xbox, and keep in mind that it's under development.

(Video shown.)

MR. BLANKLEY: So there's Abe. Say hi, Abe. I'm going to climb Abe down here. Abe is a pretty funny guy. He's a factory worker who has realized that the factory actually makes meat products out of the workers. So he's kind of trying to get around, and maybe solve this problem. So you can sneak around kind of quietly. And as you can see, it's a pretty intimidating and big factory for a little guy like him.

So what you can do is actually speak to the other workers who are in the factory. Let's talk to all of them. Okay, so now they'll follow him. Now, you can get them to do stuff, and this is the best part of the game. Down this hall, there's a door that only opens if I pull all of these levers at once. Now, of course, to do that I'm going to need the help of my friends. So, go to work guys. Right on. I'm going to leave Abe over here for a little bit, and concentrate on Munch.

You heard me say that the game is called Munch's Odyssey. Well, this is Munch. Munch is at a little bit of a

disadvantage here because he's actually he's actually sealife, and I'll show you why in a second. So, he's jumping around on his flipper there. But this is actually a really good opportunity for us to show the kind of detail that you can expect to see out of characters on Xbox.

Now, as I said, he has kind of a hard time getting around, so we've provided some alternate transportation for him. I'm going to go grab it up here. He can jump into that. Let's go see Abe. Yeah. Oops. He can look around at a little bit more of this environment, and what I want you to be noticing here is just how amazingly rich and detailed this environment is, and dangerous. We've got some -- (inaudible) -- after us. Maybe I can get away over here.

(Applause.)

MR. BLACKLEY: So, we have to keep in mind that that's a game under development and just running on a dev kit, but already you can see the kind of experience that Xbox is enabling that other consoles just can't. And that's why those developers are excited, and that's why the games on Xbox are going to be so excellent.

One of the biggest reasons for that is that technology is liberating when you're doing a creative thing like making a game. If you're always worried about having to make compromises in your art, and compromises in the game design because of limited technology or power in a box, then you end up with a final product that doesn't achieve the vision that you had for your game. More importantly, you're making a product that was designed by compromise, and it isn't really being designed by the vision and the dream of the guys designing the games. So, one of the basic premises of Xbox is to put the power in the hand of the artists.

The next thing I want to show you is a game from a company called Argonaut in the UK called Malice. It's a great example of what happens when you put some really good tools, in this case specifically lighting tools, in the hands of game designers and artists, and you make a game that's being designed fundamentally from the standpoint of the designers and the artists and not from compromises in programming.

This is Alice and, again, I hasten to point out that this is all real-time, this isn't pre-rendered, as you'll see when I screw up controlling it, I'm sure. Let's just take a look at Alice here for a second. I mean, that's just stunning. These guys are achieving the level of visual detail that you really did get in Toy Story, and this is a real game, this is the way the game really plays. In fact, let's play some game now. I can do a couple of nasty things to these bugs, I can smear them, actually my favorite thing, I've actually got to get lined up for over here a little bit is the death roller. See, this is how you can tell it's not a canned demo. Come on. You guys are watching a demo from Seamus, the expert gamer here. There you go.

So there she is in the spotlight. And you can really see here that all of the power has been put in the hands of the character designer, the hands of the people who do the animation, who draw this character. So she has the same kind of emotive characteristics that only characters in films have had to date. And that's the most exciting thing really about the Xbox, as I keep on saying it, it empowers the developers, it unshackles the developers so that they can achieve the visions that they have in their minds. And that creates the best games in the world.

Now, over here there's this thing, I'm not really sure what that is, but maybe this clockwork key will free it up. That's not bad. Giant robot, now what's the deal with this guy? I see, he copies my moves. That's pretty cool. What happens when I hammer? He doesn't have a hammer, okay. That's pretty cool. Well, what about, let's see, let's try a super jump. Oops. Sorry about that. Okay. So maybe that demo is over for now.

(Applause.)

MR. BLACKLEY: So the thing you should take away from this today is certainly, boy, those are some cool games, and I can't wait to play them. But, realize that that's the level of performance you're going to see out of Xbox games, that's the level of visual artistry that we're starting with. And it only gets more amazing from there.

Now, the last two things I want to talk about are two other games that are going to be coming out for the box. The first of them is something I'm really excited about as an avid skateboarder, which is Tony Hawk II, coming from Activision, and these guys are really ramping it up. You saw one of the head developers of that project in the video, and they're going to take the art of getting injured on a skateboard to an entirely new level with this game. And I'm pretty excited. And then speaking of taking injury to an entirely new level, I also want to talk about our WWF title.

But, I really wanted to demo this title very badly, but I didn't want to do it just on the fifth power system. So I arranged to bring a 100 percent power Xbox demo system. And I want to show you that now.

(Video shown.)

THE ROCK: Thank you. Thank you, Bill. Thank you, Seamus.

Now, at first glance to the untrained eye it just might appear that The Rock and Bill Gates don't have a heck of a lot in common. Well, The Rock is here to say that that can't be farther from the truth. See, the fact of the matter is The Rock and Bill Gates, we have a lot in common. Both The Rock and Bill Gates stand atop their respective industries.

(Applause.)

THE ROCK: Both The Rock and Bill Gates are best selling authors. And both The Rock and Bill Gates are known worldwide for their vast array of catch phrases. For example, The Rock has, know your role and shut your mouth, lay it the smack it down, and of course, the world renowned, if you smell what The Rock is cooking. And, Bill Gates, you have some pretty cool catch phrases, as well. What are some of your favorites?

MR. GATES: My favorite is probably writing hardcore C to create slick, tight code.

(Applause.)

THE ROCK: That's fascinating. That's fascinating. Yes, I might want to use that some time, Bill.

MR. GATES: Well, thanks, Rock. And it really is an honor to have you here. Believe it or not, I'm a big fan of yours. For instance, I know that you're a five time WWF champion, not to mention one of the top entertainers in the world.

THE ROCK: Bill, I'm very flattered, and I'm a big fan of yours, as well. For instance, The Rock knows you're the chairman and chief software architect of the Microsoft Corporation, the leading worldwide provider of software for the personal computer.

MR. GATES: Thank you, Rock, I'm very flattered myself.

THE ROCK: By creating Windows, by creating Windows in 1983 a multitasking, graphical user interface environment, that runs on MS-DOS based computers, along with Windows NT, and Windows 2000, completely self contained operating systems that feature networking, symmetric multiprocessing, multithreading, and security, Bill, you've certainly revolutionized the technology we know today.

(Applause.)

MR. GATES: Wow. Rock, that is impressive. But, let's move on.

THE ROCK: And you also like golf.

MR. GATES: That's true, I do. But, today isn't about me, Rock. It's about the future of video games.

THE ROCK: Bill Gates, you never cease to amaze The Rock. You never cease to amaze The Rock. Again, today isn't about you, it's about the new Xbox, and quite frankly, I couldn't be more excited. The Xbox is everything The Rock is, cutting edge, powerful, exhilarating, and like The Rock, it will be the most electrifying thing coming out this year. And what The Rock is to sports entertainment, to the WWF, the Xbox will be to the video game industry, a breakthrough and certainly an original.

I mean, The Rock doesn't impress easily, Bill, you know that. But, I'm pretty damn impressed with what we're seeing here today. And considering that this Xbox at this moment is only running on one-fifth of the system's power is very impressive. Bill, do you have any idea what The Rock would be like if he were only running on one-fifth of his power.

MR. GATES: Well, I think that --

THE ROCK: It doesn't matter what you think, Bill. I'm sorry, Bill, it's a force of habit, The Rock apologizes. No, The Rock even at one fifth of his power would still blow everybody out of the water, just like the Xbox. It is truly the

future of video games, and I'm very excited to simply be a part of it. If you smell what The Rock is cooking.

MR. GATES: Thank you. Great job.

Nice guy. Well, you've seen a lot. You've seen the future of the set top box, the future of TV, new ways of using music, the way the PC can connect it all, support creativity, and project itself out to all these new peripherals. We're really talking about a new digital lifestyle, and it's very exciting to be working with partners to make it a reality.

Thank you.

(End of event.)